

## Message Text

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PAGE 01 STATE 055803  
ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 STR-07 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01  
DOE-11 DOTE-00 /102 R

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APPROVED BY EB/OT/GCP - JSLATTERY  
ARA/MEX - E BITTNER  
EB/OT/GCP - T O'HERRON  
STR - S LANDE (INFO)  
-----117683 042058Z /72  
R 040102Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: ETRD, MEX

SUBJECT: COMPETITIVE NEED EXCLUSION OF MEXICO FROM GSP  
ON RAILCARS

1. MEXICAN COMMERCIAL COUNSELOR ACOSTA, OTHER MEXICAN  
EMBASSY OFFICIALS, AND REPRESENTATIVES OF A MEXICAN  
RAILCAR MANUFACTURER MET WITH ARA/MEX AND EB/OT  
OFFICERS FEBRUARY 28 TO DISCUSS MEXICO'S EXCLUSION  
FROM GSP BENEFITS ON TSUS 69015, RAILCARS. ACOSTA  
AND THE COMPANY REPRESENTATIVE EXPLAINED THAT IN 1977  
MEXICO HAD EXPORTED TO THE UNITED STATES 14,029,000  
DOLLARS WORTH OF RAILCARS, 96 PERCENT OF THE  
14,800,000 DOLLARS IN TOTAL 1977 US IMPORTS OF RAILCARS.  
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(MEXICO EXPORTED NO RAILCARS TO THE US IN 1976.) DUE  
TO THE 50 PERCENT COMPETITIVE NEED LIMIT MEXICO AS  
OF MARCH 1, 1978 IS EXCLUDED FROM THE GSP BENEFITS  
ON THIS ITEM. THE DUTY ON TSUS 69015 IS 18 PERCENT.

2. ACCORDING TO THE MEXICANS, THE US INDUSTRY PRODUCES  
40,000 RAILCARS A YEAR AND IN 1977 MEXICO SHIPPED 500

CARS TO THE US. THEY CLAIMED THAT THE US INDUSTRY IS PRODUCING AT CAPACITY AND THAT MEXICO FILLS THE EXCESS DEMAND AND, UNLIKE THE US INDUSTRY, IS WILLING TO MEET ORDERS FOR SMALL NUMBERS OF CARS OR FOR SPECIAL TYPES

OF CARS. THE MEXICAN MANUFACTURER HAS ON ITS BOOKS

ORDERS FOR 40,000,000 DOLLARS WORTH OF CARS, 4,700,000 DOLLARS OF WHICH ARE DUE TO DELIVERY IN MARCH. ACOSTA CLAIMS THAT MISSOURI PACIFIC IS THE PURCHASER OF 70 PERCENT OF THE CARS. ACCORDING TO ACOSTA, THE SALES CONTRACT REQUIRES THE MEXICAN PRODUCER TO PAY THE DUTY. THE MANUFACTURER'S REPRESENTATIVE ASSERTED THAT IF THE COMPANY HAD TO PAY THE DUTY, IT WOULD TAKE A SUBSTANTIAL LOSS ON EACH CAR SINCE THE PROFIT MARGIN IS SLIGHT.

3. THE MEXICANS EXPLORED WITH DEPARTMENT OFFICERS POSSIBILITIES FOR DUTY RELIEF. THE LATTER EXPLAINED THAT THE TRADE ACT CONTAINED NO WAIVER FOR COMPETITIVE NEED REQUIREMENTS IN CASES WHERE THERE IS DOMESTIC PRODUCTION OF A PRODUCT AND THAT THE ACT WAS NOT LIKELY TO BE AMENDED TO PROVIDE ONE. THE UNITED STATES COULD NEGOTIATE A DUTY REDUCTION IN THE MTN BUT THE MAXIMUM CUT WOULD BE TO 7.2 PERCENT AND IT WOULD BE STAGED. A STAGED CUT OBVIOUSLY WOULD NOT EXTRICATE THE MEXICAN MANUFACTURER FROM ITS PRESENT PREDICAMENT. LIMITED OFFICIAL USE

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4. IN RESPONSE TO THEIR ENQUIRY ABOUT A DUTY SUSPENSION BILL, THE DEPARTMENT OFFICERS EXPLAINED TO THE MEXICANS THAT US COMPANIES COULD ASK A MEMBER OF CONGRESS TO SPONSOR SUCH A BILL BUT THAT THE DEPARTMENT COULD NOT ESTIMATE ITS SUCCESS OF PASSAGE. FYI THE EXECUTIVE BRANCH UNTIL NOW HAS GENERALLY FAVORED DUTY SUSPENSION BILLS ONLY IF THERE IS NO DOMESTIC PRODUCTION, OR THERE IS A SERIOUS SHORTAGE. THE TPSC AT PRESENT IS CONSIDERING A PROPOSAL THAT THIS POLICY BE CHANGED SO THAT THE ADMINISTRATION WOULD SUPPORT DUTY SUSPENSION BILLS UNLESS THEIR ENACTMENT WOULD CAUSE HARM TO THE US ECONOMY. END FYI

5. ACOSTA SAID THAT THE MEXICAN EMBASSY AND THE MANUFACTURER WERE GATHERING INFORMATION AND FOR THE TIME BEING WERE NOT SEEKING ACTION BY THE EXECUTIVE BRANCH. IF MEXICAN OFFICIALS APPROACH THE EMBASSY, IT MAY DRAW ON THE ABOVE BUT SHOULD OFFER NO APPRAISAL OF THE LIKELIHOOD OF PASSAGE OF A DUTY RELIEF BILL FOR RAILCARS.

6. ON MARCH 3 PROFESSOR GLENN H. SULLIVAN OF PURDUE

UNIVERSITY, WHO ACTS AS ECONOMIC CONSULTANT FOR NORTH AMERICAN RAILCAR, A RAILCAR LESSOR, CALLED EB TO INQUIRE ABOUT THE POSSIBILITY OF A COMPETITIVE NEED WAIVER AND ABOUT PROCEDURES FOR A DUTY SUSPENSION BILL. HE TOO CLAIMED THAT MEXICAN PRODUCTION WAS NEEDED TO MEET STRONG DEMAND. AN EB OFFICER TOLD SULLIVAN THAT

THERE WAS NO POSSIBILITY OF WAIVER OF THE COMPETITIVE NEED EXCLUSION IN THIS CASE AND CONFIRMED THAT HIS CLIENT COULD SEEK A DUTY SUSPENSION BILL THROUGH ITS MEMBERS OF CONGRESS. CHRISTOPHER

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## Message Attributes

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